

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN**

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In re)	Chapter 9
)	
CITY OF DETROIT, MICHIGAN)	Case No.: 13-53846
)	
Debtor.)	Hon. Steven W. Rhodes
)	
)	
_____)	

**COMMENTS ON THE REASONABLENESS
OF PEPPER HAMILTON LLP’S FEES**

Pepper Hamilton LLP (“Pepper”) respectfully submits these comments on the reasonableness of its fees in accordance with the Court’s Order Regarding Process to Determine the Reasonableness of Fees Under 11 U.S.C. § 943(b)(3) [Docket No. 8999]. Pepper provided significant assistance to the City in obtaining a highly favorable outcome in its Chapter 9 case. Pepper’s fees are reasonable in light of the services provided and the results achieved.

**I. PEPPER PLAYED A VALUABLE ROLE IN THE CITY’S
BANKRUPTCY**

In June 2013, the City hired Pepper to serve as Special Litigation Counsel and to assist lead counsel Jones Day on matters where Jones Day had conflicts. Pepper took on a targeted role in the City’s bankruptcy case, focusing on anticipated and actual litigation facing the City. Pepper attorneys worked primarily on matters involving the interest rate swaps; the pension obligation certificates of

participation (“COPs”); unlimited tax general obligation bonds (“UTGOs”); limited tax general obligation bonds (“LTGOs”), the contested post-petition financing and Public Lighting Authority motions and related appeals, and the eligibility and confirmation trials. With respect to many of these matters, Pepper took a lead role on discrete issues, being careful to ensure that there was no duplication of effort with Jones Day.

Pepper’s work on the various litigation matters arising in the case provided substantial benefit to the City. For example, Pepper assisted in the negotiation and initial trial of the proposed settlement agreement with the swap counterparties to resolve the City’s potential termination liability of approximately \$300 million. After the Court rejected the proposed \$166 million settlement, the City asked Pepper to take the lead, working closely with Jones Day, in trying to resolve the matter. Pepper prepared all of the necessary pleadings, ordinances and Emergency Manager orders needed to move forward with litigation. Pepper’s readiness to litigate immediately was a major factor in persuading the counterparties to settle for \$85 million, with credits, and to agree to support the City’s Plan. Pepper then served as lead counsel at the trial on the settlement, which the Court approved. Not only did this settlement save the City almost \$200 million, it also paved the way for confirmation of the City’s Plan by giving the City an impaired, accepting class of creditors.

Similarly, Pepper was closely involved in the defense of the adversary proceedings filed by bond insurers, relating to the City's UTGO and LTGO bonds. Due to Jones Day's conflict, Pepper was the sole counsel for the City on one lawsuit, and worked closely with Jones Day on the other. Pepper helped to develop novel theories of defense under Michigan state law and argued them at the hearing on the City's motion to dismiss. The strength of the arguments that Pepper presented had a major impact on the parties' willingness to settle, providing significant savings to the City.

Pepper also played a co-lead role on many issues in the \$1.4 billion COPs lawsuit, in which the City sought to invalidate the COPs issued in 2005 and 2006. Pepper briefed the City's opposition and successfully argued against the Service Corporations' motion to dismiss the case. Pepper also briefed City's motions to dismiss the intervenors' counterclaims, dealing with a number of complicated and technical legal issues. Pepper's demonstration of the strength of the City's position in the adversary proceeding helped to persuade the COPs holders and their insurer to settle in mediation. This was a key settlement because the insurer, FGIC, was the last major holdout creditor opposing the City's Plan. The settlement allowed the final piece of confirmation of the City's Plan to proceed unimpeded.

At the City's confirmation trial, Pepper prepared and examined a number of key witnesses, such as Police Chief Craig, Fire Commissioner Jenkins, CIO Beth Niblock, and community leader Roger Penske. Pepper also spent substantial time assisting in the preparation of many other witnesses, including City Council President Brenda Jones, EM Kevyn Orr and Dan Gilbert. Pepper was also prepared to handle all of the witnesses of the UAW, which settled with the City on the day of trial; and briefed and argued a number of motions in limine, including one which required the examination of Heather Lennox, one of the lead bankruptcy counsel for the City.

II. PEPPER HAS PROVIDED SUBSTANTIAL DISCOUNTS TO THE CITY

At the request of the Emergency Manager, Pepper agreed to discount our rates in 2013 by 10%. In January 2014, Pepper's normal rates for all other clients rose by approximately 10%, but remained at 2013 levels, with the additional 10% discount, for the City. Following mediation with the City, Pepper agreed to further reduce its fees.

III. CONCLUSION

Pepper's efforts resulted in major savings to the City on the swaps, COPs, UTGO and LTGO matters. Pepper played a significant role in achieving the confirmation of the City's Plan. By any measure, the discounted fees and expenses

for Pepper's post-petition services, as set forth by the City at Docket No. 8986, are fair and reasonable and should be approved by the Court.

Dated: January 16, 2015

PEPPER HAMILTON LLP

/s/ Robert S. Hertzberg
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CERTIFICATE OF SERVICE

I hereby certify that, on January 16, 2015, I electronically filed the foregoing *Comments on the Reasonableness of Pepper Hamilton LLP's Fees* with the Clerk of the Court which sends notice by operation of the Court's electronic filing service to all ECF participants registered to receive notice in this case.

Dated: January 16, 2015

/s/ Robert S. Hertzberg
Robert S. Hertzberg (P30261)